during the huge initial sampling program for Merit, there was no concentration on this particular segment of smokers. The origianl distribution of free Merit cigarets was to any adult passerby.

In a Business Week article (December 6, 1976) on Philip Morris there is a favorable notice of John T. Landry and his successful handling of Merit--"the hottest new brand to be introduced since Winston ushered in the filter era in 1955." Despite his words of praise the writer presented a number of comments that throws doubts on his objectivity.

He mentions "traditional test marketing" by Philip Morris in an opening paragraph. But a little later he remarks that the firm shuns that conventional practice. "In place of test markets, PM uses 'taste test' panels." From the reactions "of large numbers of small groups of smokers . . . PM can shield the results of its tests from competitors."

Philip Morris, in the writer's opinion, has never been an innovator. "It waits patiently for competitors to establish a category and then it moves to capitalize on others' mistakes and successes." The firm has never pioneered.

Except for his notice of taste panels, this contributor to a magazine respected for its comprehensiveness and accuracy was

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otherwise wrong. The possible explanation of opinions so contrary to Philip Morris' long record is that the writer was devoted to Reynolds' Winston or Vantage.

When announcing the January 1976 national launching of Merit in regular and menthol versions, in the 1975 "Annual Report", it is stated that the new brand "delivers only 9mg of tar and 0.7mg of nicotine and is lower in tar than 98% of all cigarettes sold in the U.S. today." In one of its newspaper advertising spreads kings are presented as holding but "8mg 'tar,' 0.6 nicotine av. per cigarette," according to an FTC report.

A feature of the firm's advertising was the occasional subject of sometimes puzzled, sometimes amused comment. Copy occupying a facing spread in The New York Times, say, boldly proclaimed the virtues of Merit. But with unaccustomed shyness the firm's name was tucked into a corner in type too small to decide without expert knowledge, whether it was Brilliant, Diamond or Pearl. Was there method in this near-concealment--or was there merit?

In relation to the heavy advertising accompanying new brands or extensions of familiar ones, The New Republic (May 8, 1976) commented on the "terrific competition" among cigaret manufacturers to detach smokers from their accustomed cigaret. The author of the article refers to 145 varieties--by then a standard FTC

enumeration though wholesale distributors could count 172-- available in the States. He expressed the opinion that the manufacturers that displayed the best advertising, not the best cigarets, was usually the winner. The 120-mm, so-called "healthy cigaret" was disparaged. It was, said the author, remarkable for its length--not its content.

Now-again

"Consumer Reports" of Consumers Union offered to its wide readership another in its long series of solemn theses denouncing tobacco.

Its latest stricture was entitled "How to Sell Air at Tobacco Prices." The cigaret selected for analysis was Now with its "nicely perforated filter around its circumference to allow an extra quantity of air to mix with the smoke."

The initial objection dealt with the physical characteristic of Now. It was so loosely packed, said the writer, that it burned down too quickly to its filter. As Winstons were the same length a number of them were chosen for a comparison test. In a room of constant temperature 27 packages of both brands were placed for 24 hours. Random samples were removed from each package. From that it was possible to determine that the average weight of the tobacco in Now registered only 64 percent of Winston's tobacco content.

The tests having been completed, the reporter of the analyses wrote an epitaph for *Now*: "This low-tar, low-nicotine cigarette is also low in tobacco."

What the Union researchers didn't know or, perhaps didn't care to know, was the production method applied to *Now* cigarets. In establishing its composition, Reynolds' laboratory technicians made considerable use of "reconstituted sheet." This was composed of tobacco sweepings and stems, the latter low in tar/nicotine content. Then, as the tobacco used in *Now* was "puffed" through the injection of Freon--a process which caused it to expand--it was possible to use less of the cured leaf. That manufacturing step completed, flavorings were applied to both tobacco and filter. Despite the lower weight of tobacco in *Now* cigarets (compared with *Winstons*), therefore, the former brand was assumed to deliver as many or more puffs to smokers as a tightly packed cigaret.

In April the FTC published, as it had been doing since 1967, a report on the tar/nicotine content of the usual 145 brands selected in 50 U.S. locations. There was nothing new and therefore nothing of interest to the cigaret industry. Filter-tipped *Carlton* was still lowest in both components. *Players*, regular size non-filter was highest in tar; second in nicotine.

<u>Voices of authority</u>

Among the most-noted opponents of cigaret smoking were a number of medical scientists whom the industry respected for their integrity, their objectivity and their readiness to cooperate with the industry in its search for cigarets that the medical authorities could accept as "safer"--even if not entirely "safe." Among the best-known of these men was Dr. E. Cuyler Hammond who had vigorously rejected the troublesome "passive smoking" theory, as mentioned in the preceding chapter. Later, as will be shown, he voiced his approval of the low-tar, low-nicotine brands introduced by the industry's major firms.

Another outstanding authority on cancer and (it would appear) everything relating to the composition of cigaret tobaccos and the components of cigaret smoke, is the noted toxicologist previously quoted in this chapter, Dr. Gio B. Gori.* An article of unusual importance, presented by him in <u>Science</u> (December 17, 1976), is excerpted here. It is headed "Low-Risk Cigarettes"

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* Deputy Director of the Division of Cancer Cause and Prevention and Director of the Smoking and Health Program, National Cancer Institute, National Institutes of Health, Bethesda, Maryland.

a Prescription; Low-toxicity cigarettes hold significant promise in the prevention of diseases related to smoking."

Having made the observation that anti-smoking, educational campaigns have met with only partial success--55 to 60 Americans still smoke and the habit is increasing among teenagers and women--Dr. Gori describes the methods by which toxic smoke components are reduced. They include "genetic selection and low fertilization of plants; growth and harvesting practices that provide leaner tobacco leaf; curing methods that remove leaf components; use of high porosity papers, filters and smoke dilution devices, and transformation of tobacco into reconstituted sheets through a process that removes undesirable plant components, adds inert diluents and increases the volume of original tobacco."*

"Most of these approaches reduce the amount of fuel burned during combustion, favor more complete combustion conditions and discourage pyrolysis [chemical decomposition by the action of heat], pyrosynthesis and formation of tar, carbon monoxide and other undesirable components. In addition, the tar of cigarettes so processed usually shows decreased carcinogenicity when tested on an equal-dose basis against the tar of traditional cigarettes in mouse skin assays . . . "

* Compare with the explanation of the manufacturing process used for Now cigarets, pp. 159-160

Of the several thousand compounds that have been identified in cigaret smoke, "only a few have been related to specific health hazards . . . * The hazard of these components, however, appears small when compared to that of tar, carbon monoxide and nicotine, except as they affect lung clearance mechanisms. Tar is a mixture of many chemicals and is commonly understood to contain most smoke carcinogens; it also contains other irritants and toxic materials of unidentified properties . . ."

"Nicotine is recognized as a dangerous alkaloid, but, at the doses delivered by cigarettes, the smoker automatically adjusts intake to favor pharmacologic and physiologic reward. . . no chronic toxicity effects have been clearly and consistently attributed to nicotine. . ."

"The technology for providing cigarettes, 10 to 20 of which per day deliver smoke within the suggested range, has been developed and can be applied by the skilled cigarette manufacturers . . ."

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* See the analyses provided by Schrumpf-Pierron in Brooks, <u>The Mighty Leaf</u>

Then he added a paragraph that served as a sop to the perfervid anti-tobacconists and thereby upset the industry which, up to that conclusion, had found his scientific presentation comforting:

"Not the least promise of low-hazard cigarettes is that a low delivery of nicotine and smoke will reduce their habit-forming features, and will make it easier for smokers to quit altogether . . . "

Tobacco substitutes

Around three years after the Surgeon General Committee's report, the first major effort to produce a synthetic tobacco, free of dangerous compounds inherent in the smoke of most brands, was announced in England.* Since then there have been a considerable number of tarless, nicotine-less cigarets offered to consumers. None of them "tasted good like a cigarette should."

In retrospect it seems remarkable that men credited with common sense in the field of medical science, in the hard realistic world of business, and even lay inventors could continue to develop and offer to consumers cigarets lacking the two ingredients

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* See the "Third Continuation," page 77

that were essential to acceptability: nicotine and the component classified as "tar." They might as well have offered whiskey without alcohol, or unfermented beer.

Reynolds, for instance, let it be known, when the industry talk was about Merits, that it held patents for cereal additives. It could, an executive spokesman said, produce a completely ersatz cigaret that would contain no tobacco. It could also put a large hole in its treasury.

The National Cancer Foundation, early in 1976, announced that it had at last created a cigaret with "absolute minimum levels" of nicotine, tar and other compounds in cigaret smoke that were considered to be harmful. This extraordinary development had but one flaw: it was completely tasteless.

With a touch of desperation the Foundation, despite its large staff, turned its useless discovery over to one of America's best research organizations, the Arthur D. Little Corporation, for possible salvage. A government contract of $183,000 went with it. A condition of the agreement between the Foundation and Little was that the latter would discover (if possible) the flavor additives that would make the finished product compete favorably with cigarets on the domestic market. The participants in the agreement must have been smoking the Foundation cigarets which appear to have affected the mind rather than the heart or

lungs. For several of the desired low-tar, low-nicotine cigarets were at that time selling by the billions throughout the United States.

The Celanese subsidiary was still pushing Cytrel, with two manufacturers in West Germany and one in Switzerland marketing the product but with limited success. In England Imperial Tobacco, Ltd. and Imperial Chemical Industries, Ltd. were jointly under-writing New Smoking Materials, Ltd. in its attempt to capture part of the British market. (An estimated 22 million domestic smokers consumed around 138 billion cigarets in 1975.) Since 1966 its ersatz product called NSM, a concoction of wood pulp and tobacco, had cost its manufacturers $12.5 million. But Celanese Corporation, through its Celanese Fibers Marketing Co. subsidiary, had spent 18 years developing Cytrel and $20 million in its search for the perfect and safe cigaret.

One of the participants in the effort to develop a tarless cigaret, the major British textile firm, Courtaulds, Ltd., dropped out when lack of favorable results curbed any further involvement. The company had spent $5 million in an effort to get consumer approval of its "cellulose-based cigarette, popularly known as 'false fags'''and when it reached that level of expenditure in 1976, it abandoned the project.

Counteragents, inventors, agency counters

The ill wind that had been blowing the cigaret industry no good for a dozen years was doing good for a considerable number of opportunists. These had a common purpose: to develop abstinence by those addicted to the use of cigarets.* Among them were several reliable health organizations, clearly not very successful or popular. There had been a growth in stop-smoking clinics, several of them notably profitable and in the number of individual counselors. These latter included practitioners of hypnosis, parlor psychiatrists and various "specialists" whose methods were derided as "brain-washing" substituting for will power. Added to the organizational and private procedures were self-help devices registered by the U.S. Patent Office, designed to aid in withdrawal from smoking.

What appears to have become the most profitable of the clinic type was Smoke Enders, founded by Jacqueline Rogers and her husband, Jon, a dentist. They and their establishment were the subject of a Sunday New York Times article, "Tobacco is a Dirty Weed--They Loved It," by James C. Condon.

* Accounts of many of these advisory organizations or individuals occur in earlier portions of this work. And see "Deterrents" in the "Third Continuation."

By the end of 1976 it was reported that they had formed 30 chapters, registered a hundred thousand men and women, were celebrating their eighth year, expecting $5 million in fees and were giving consideration to an expansion of their operations to English-speaking nations abroad.

The implication is that the Rogers' treatment of nicotine-besotted addicts was wholly successful. There is no hint that any of their patients relapsed. Yet, based on observations made at other well-established clinics, the Smoke Enders record of back-sliders would surely match that of other organizations whose"cured" patients returned to a subtly satisfying habit.

Patentees were not much in evidence during 1976. Spaniards from Barcelona were granted a U.S. patent for an adjustable cigaret-mouthpiece named Alfin. This device had fresh-air inlets designed, so the inventors said, to reduce the toxicity of cigaret tobacco. That made it possible to habituate the smoker to a progressive decrease in nicotine intake.

What surely influenced Patent Office officials to issue a grant for one more novel mouthpiece was a statement that accompanied this application. In it, the inventors claimed that

their device offered "avoidance of bothersome noises caused by suction."

That assertion suggests that cigarets smoked in the inventors' native city, unlike all those elsewhere in use, had not been sound-proofed.

The only other patent with a cigaret association granted in the same year was not intended to cure or discourage smoking. It was an ash-tray with a smoke filter. When a lighted cigaret was placed in the tray its smoke was drawn by an electric fan through a filter. That, the patentee stated, brings "the air out clean."

This extravagant device was obviously invented for indoor use only. It may have been inspired by the abundant legislation designed to protect "passive smokers" from contamination by adjacent users of cigarets. Yet there are cynics about who are convinced that the invention was created by someone associated with an electric utility corporation.

What represented a potential for a practical device, not directly related to health issues associated with cigarets, resulted from a survey conducted by the Battelle Memorial Institute. It was

undertaken through an assignment of the federal government and dealt with book matches.

The Consumer Product Safety Commission had become concerned over book-match-related injuries in 1975 requiring over 10,000 hospital emergency treatments. The Commission asked for the cooperation of the $110-million book match industry in deciding on various proposed safety standards.

Its request followed a report by the Battelle surveyors. They had found that 490 billion matches had been lighted in 1975. The manufacturers of book matches had supplied most of the required information, accompanying it with a grievance: their businesses were being badly hurt by cheap lighters. That took the investigators a little further afield. They came to the momentous conclusion that lighters had been used a hundred billion times in 1976 alone!

These rounded figures were readily accepted by Commission officials. No one asked for a recount.

A medley of numbers

The Philip Morris "Annual Report" of 1976 mentioned that domestic sales of cigarets in that year rose 1 percent to an estimated 606 billion units. Source considered, that statement would ordinarily

be accepted as sufficiently reliable.

There were, however, other figures which represented variations. The "Annual Report on Tobacco Statistics" of the Department of Agriculture (1977), states that 617,872 million cigarets were removed tax-paid with the notation "subject to revision." (The published "revision," at the start of January 1977 raised that figure to 620 billion).

The Department's "Tobacco Situation," published in March 1978 records 617.1 billion. (Obviously, one shouldn't quibble about a mere difference of nearly 800 million cigarets.) The "Situation" also contains the statement that total U.S. consumption in 1976 was 613.5 billion cigarets. That included 8.8 billion non-taxables to overseas forces and ship stores leaving 604.7 for domestic sales.

So highly respected an analyst (and mentor) of the industry, John C. Maxwell, Jr., published the figure of 605.5 billion cigarets consumed in the U.S. in 1976. That total sufficiently matches the estimate in the Philip Morris "Annual Report." The unit volume of the U.S.A. company's cigaret sales in 1976 reached 152 billion, which represented a quarter of the domestic total.

As a practical matter, the only reliable total relating to cigarets on the domestic scene (apart from a tally of manufacturers' output) is that classified under "tax-paid removables." Total annual consumption of cigarets in the U.S. must remain an estimate.

The top 20 brands accounted for 91 percent of domestic sales. Advertising support for this volume reached $308,260,400--an impressive increase of 31.5 percent above the 1975 expenditures. (It was undoubtedly this increment which inspired the FTC's latest harassment of the industry. See pp.212 ff.).

What helped run up the total was Philip Morris' vigorous drive behind Merit, which had a first-year budget of nearly $45 million. (That sum represented the largest single expenditure for a new brand.) The firm's advertising bill was estimated to have been $149 million, which gave it 9th place in the list of 100 leading advertisers in 1976. The total was very close to $50 million over what the company had spent in 1975 for advertising and it represented 3.5 percent of the income from sales. Reynolds was not very far behind for in 1976 its advertising bill came to $140.3 million.

When the standard list of the top 20 brands was published by

Advertising Age (December 26, 1977), Marlboro held first place. It had achieved that spot by the end of 1975 but Advertising Age had reported its sales at 91.3 billion to Reynolds' Winston at 91.5 billion. (The latter, in 1976, had dropped to 90.1 billion.) Advertising cost per carton for Marlboro was 6.7 cents.

And Benson & Hedges selling 26.2 billion--its 100mm type leading in the U.S.; Virginia Slims 9 billion; Parliament 8.9 billion and Merit 8.5 billion meant that a quarter of the top-sellers were Philip Morris products. Reynolds' brands were represented by a fifth of the total.

As has been mentioned earlier, the latest promotional effort of the industry majors had been largely on low-tar cigarets. It was intended as a possible buffer against tentative legislative action directed at the stronger types of cigarets. At least ten brands were then being advertised as freer of tar than the standard types. Yet, among the top 20, there were few genuinely new ones. Marlboro, Winston, Salem and Kent (each with Lights--or a variation in spelling--as part of the brand name), for instance, were line extensions.

Advertising controls; p/r fiasco

It had been frequently suggested by the more determined activists

among cigaret-haters that all advertising of the detested product be illegalized. Various legislative efforts in that regard, had however, failed of their objective in the States.

But the idea had by no means been abandoned; if anything, it was becoming more widely accepted. The American Cancer Society announced that it had programmed a five-year lobbying effort directed at the complete elimination of any form of cigaret advertising.

The Chilton Research Services of Philadelphia had been engaged by the National Cancer Institute and the Center for Disease Control to conduct a survey of Americans on the subject of cigaret advertising.

Pollsters asked a population cross-section: 12,500 adults in various parts of the U.S. whether or not cigaret advertising should be required to end immediately. The result showed that 56 percent of those interviewed approved of total elimination. Among this majority were two out of every five smokers.

A similar poll had been undertaken in 1964 and discouraged its sponsors for only 36 percent wanted an end to cigaret advertising. Six years later tobacco-phobes were much cheered when an affirmative vote reached 60 percent.

"Consumer Reports" of Consumers Union, in its May 1976 issue, urged that "Congress should ban all advertising of cigarets, Period". Then, in recognition of the disturbing fact that absence of advertising had not had any effect on smokers in Italy or elsewhere, the author of the article suggested that a ban be supported by "an extensive anticigarette campaign."

An advertising agency said to be one of the more successful, but unnamed in Barrons' notice, had a new account when it was engaged by the American Lung Association. Its assignment was to present an image of the Association as a strong force among anti-cigaret organizations.

Except for a few instances of raucous radio promotions inspired by Alfred Lyon--during a period when cigaret advertising had been expertly characterized as "gone mad"--Philip Morris' use of media won professional approval for ingenuity, impact and consumer appeal. Yet, on one recent occasion, a number of the firm's executives nodded--but so did Homer in a different capacity.

What began as a public relations program rapidly developed into a fiasco, and one with exceptionally dangerous connotations. This was the airing of a film, "Death in the West" on the "This Week" program, a popular current-affairs series of British

television. The film, produced by Thames Television of London, was reported to have been suggested by Philip Morris. Its September 2, 1976 audience was estimated to have been in the range of 12 million.

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The sponsor's purpose was to present the industry's viewpoint of the smoking- and -health controversy and to offer an explanation of how Marlboro achieved its leading place among the world's innumerable brands.

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What was visually presented (with narration) could well have induced a collective heart attack among Philip Morris executives. There were "Marlboro cowboys" on display but one (a pulmonary emphysema victim) was shown while on a horse, with tubes from an oxygen bottle inserted in his nostrils tied to his saddle. At that point in the film the man's doctor explained that his patient's illness had certainly been caused by smoking. Other sufferers of the disease, their families and their doctors were then presented through interviews. James C. Bowling and Dr. Helmut R. R. Wakeham were the Philip Morris executives who provided comments to support the industry's opinions on the health controversy.

Directly following the TV showing recriminations began. In defense, the producers insisted that those members of its staff involved in the film had not received proper briefing. The

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sponsor's responsible staff insisted that everyone associated with the production lacked comprehension. There was, however, one clear point of agreement between them: the other party was at fault.

Philip Morris' director of corporation relations and communications, Frank Saunders, a man highly regarded for his competence in the public relations and promotional fields, expressed the general opinion of his associates in his allegation, "We were had, sandbagged and double-crossed. Our story was twisted completely out of shape in the context of how it was used."

The charges and rebuttals heated up after that. There were a few puzzling features in the episode. Hadn't the Philip Morris men known at the period of initial contact that Thames Television had produced three "very powerful" anti-smoking films in 1975? And hadn't the producers' personnel who wrote and directed the film remembered that Philip Morris was in the foremost rank of cigaret producers and could hardly have sponsored an anti-smoking film? And hadn't either sponsor or producer (or both) been more than careless in permitting the presentation of the film without a preview?

The Philip Morris management learned that a print was in possession of the American Cancer Society. Simultaneously it

was reported to them that the film was slated for presentation on CBS-TV's "Sixty Minutes". A number of executives were assigned to set out in hot pursuit. At their request a London law-firm asked a company of Kansas City attorneys to round up the film's six "cowboys or Westerners." Contact was made with each of the men but one. He had recently died of lung cancer.

The final evidence was regarded as legal proof that none of the actors were genuine cowboys. It was further charged by Frank Saunders, that the Thames' staff had been aided by a well-known "anti-smoking zealot."

When Thames' management remained unimpressed by the arguments and demands of Philip Morris, relief was sought through legal action. Thames Television was sued in London for "fraudulent inducement." In December 1976 an injunction was obtained that barred the producer from further British television showing of the film. Thames' agents and licensees were required to relinquish all prints. In view of the circumstances, the American Cancer Society and CBS returned their copies. After that, the collective sigh of relief exhaled by the Philip Morris executives who had been deep in the sorry affair could be heard all the way down to Wall Street.

<u>The world for a market</u>

The licensing of Bulgartabac by Reynolds and Philip Morris for their <u>Winston</u> and <u>Marlboro</u> brands has been commented on in the

1975 chapter. The two firms were exporting superior American-grown tobacco to factories close to Sofia. There the leaf was mixed with Oriental or Turkish types, long a practice of Bulgarian cigaret manufacturers.

Licensing arrangements included a royalty which, at 50 to 55 cents each thousand cigarets, was initially to net a combined revenue of around $2 million. The full agreements were to include not only Bulgarian monopoly purchases of American tobacco but proprietary packaging machinery and other advanced equipment. It was expected that, as a result, the total income to the two firms would rise closer to $10 million by late 1976.

Reynolds' officials who were closing these deals were convinced that Bulgaria would remain the chief supplier of cigarets to the Comecon bloc. On that theory, a number of the firm's agronomists were aiding Bulgarians to improve the tobaccos used in their Virginia-type blends and to increase production.

Philip Morris International, for the most part, was content with the licensing agreements it had made with the Eastern monopolies, supplemented by equipment sales, etc. It had been unexpectedly successful in Poland. There, its high-priced Marlboro brand was

selling around 40 million monthly. That was four times the output originally expected.

In mid-March 1976 R. J. Reynolds Tobacco International was formed. Its president, J. Tylee Wilson, announced that if this new branch of Reynolds did not "have marketing thrust around the world, we're going to get it." That was regarded as a wholly gratuitous remark for an organization called "International." Quite a few of the majors among cigaret manufacturers had been "thrusting" for some time in foreign markets.

By 1974, in Venezuela for instance, Philip Morris was holding the biggest share of consumer outlets--around 80 percent--with its Astor cigaret. That brand had been promoted as "mild." Enter on the scene a formidable rival: British-American Tobacco. It introduced Belmont Extra Suave, also manufactured in Venezuela. Before very long, that brand had taken 9 percent of the market. Philip Morris soon countered with Astor Super Suave. It was supported by increased advertising, budgeted at 12 million bolivares--around 3 million U.S. dollars, annually.

The West Germany branch of the parent company, Philip Morris G.M.b.h., after a stay in Frankfort, had settled in Munich,

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There it had bought a factory in 1974 from Reemstma, the leading cigaret manufacturer in Germany. Its relations with Reemstma had remained friendly. But at the start of March 1976 that regard cooled when the German firm sued Philip Morris to prevent its use of the term "Feinfilter," to which $2 million had been allocated for promotion.

Reemstma obtained an injunction which not only prohibited the further use of the disputed compound word but also forbade the German phrase for "advanced filter system," both in the planned advertising of Philip Morris. The joint ruling was promptly appealed. Around two months later, the ban was judicially upheld.

In the fall of 1976 the West Germany branch of Philip Morris set Reemstma back on its heels by demanding a change in the new package design of a registered brand, Maya. That, as the popular paper Der Spiegel commented, could hardly be distinguished "even at a second glance" from Philip Morris' Merit. Reemstma had been testing Maya since April. It agreed that the complaint made by Philip Morris was justified and withdrew Maya for a design change.

Despite these small frictions on the German Western front, Marlboro continued its strong advance. Its share of the domestic

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market in 1976 was put at 5.6 percent. That meant a yield of $300 million--plus in cigaret sales. Philip Morris' prized brand had, therefore, replaced Camel, long the cigaret leader in West Germany.

The English branch of Philip Morris International, early in November, was offering Virginia Slims to British females. Promotion included a variation of the slogan popular in the States. The version was "We've come a long, long way." Respectable ladies of Britain would surely have objected had the slender exquisite shown in the brand's advertisements been addressed as "baby."

It was reported that the advertising campaign supporting a cigaret intimately associated (through the sponsorship of Philip Morris) with champion tennis matches among women, was the first major one designed specifically to appeal to the sex long classified as "weaker." Perhaps it really was the first major promotion to that segment of British society but it was not a genuine first. If the reader will look at "The Philip Morris Century," following p. 39, he/she will find a cut of an attractive young women, seated on a keg, advertising Philip Morris' "Cork Tipped Cigarettes." In 1889. A woman! During the Age of Victoria!

The focus of the Virginia Slims campaign engendered a protest from Britain's anti-smoking groups. The basis of their grievance stemmed from the promotion's "exploitation" of the woman's movement, the use of only youthful (and lovely) models and the inferential appeal to non-smokers. Creating objections to such promotions has never represented difficulties for cigaretphobes.

Détente--of sorts

On the international scene there were other matters that held the interest of the cigaret industry and occasionally added to its anxieties. In the Soviet Union as an example, the same ambivalence relating to the use of cigarets was being expressed, as there was in the United States and a number of West European nations.

The high commissars of the U.S.S.R. had agreements with Philip Morris and Reynolds which involved the participation of the American firms in improving the quality and greater productivity of domestic tobaccos. In Moldavia plans were being completed for a seven-fold increase in Virginia-type tobacco, with the help of Philip Morris specialists.

Yet, simultaneously, there was a vigorous official drive being

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carried on in the Soviet Union, accompanied by alarmist propaganda, to curb the steady rise in cigaret sales. The authorities in charge were described as "tough" in their determination to reduce sales--and were meeting with consumer resistance. These officials did succeed in getting a legal restriction against smoking in the dining areas of restaurants. The penalty for offendors was a fine of 10 rubles (about $13.) It was authoritatively reported that Sochi (a Black Sea resort) had become the first "no smoking city in the U.S.S.R." Competent observers, however, classified the statement as an exaggeration. In Bulgaria, too, a few-months before monolopy contracts with Reynolds and Philip Morris had been sealed, the potent Communist party had announced a nation-wide drive against excessive smoking. This seemed to be a sensible enough program but as there were no further reports on it, it is only reasonable to assume that it was not successful.

What was regarded as a news item of paramount importance, at least in the Soviet Union, was that Brezhnev had finally escaped from the domination of his cigaret case. He proved that by announcing, with some pride, that he had at last abandoned the container especially created for him. That, it may be recalled, would open once every 45 minutes and deliver a sole cigaret.

The unique cigaret produced in Russia to celebrate the linkage of the Apollo-Soyuz spaceships has been commented on in the preceding chapter. The origianl output was insignificant in relation to the volume of truly popular brands and it had been programmed for a solo performance. But its producers had committed a forgiveable error: the commemorative brand was exceptionally flavorful. In consequence, in order to meet an insistent demand, at the end of 1976 the Apollo-Soyuz was being manufactured in quantities that far exceeded the original quota.

Restrictions and expansions

As was generally true in most countries of Europe, the United States and Canada, the increased participation of youthful members of society in cigaret smoking was (as has been frequently mentioned) a cause for official concern.

The government of France, around mid-May 1976, enacted a regulation which it was hoped, would reduce the interest of non-adults in cigarets. An assigned Minister announced that cinema houses would be included in the prohibition which prevented the display of cigaret advertising on TV or radio. Print advertisements would be permitted but were confined to displaying only the brand name or trademark.

And in Australia all electronic promotions of the popular little white rolls came officially to an end at midnight on August 31, 1976. That meant a loss of over $13 million to the broadcast services. There was a small compensation for users of other tobaccos: the advertising of cigars and pipe tobacco was still permitted to be aired.

By the end of 1976 Philip Morris Europe, well connected with tobacco monopolies in Western Europe, had representatives in the Eastern zone. Their assignments were identical: to discuss cigaret licensing and associated contracts with monopoly bureau chiefs in Czechoslovakia, East Germany, Rumania and Hungary. Before the end of the year an agreement had been reached with the authorities of East Germany for manufacturing and marketing of Marlboro cigarets there.

William Murray, the president of Philip Morris Europe(the section with the largest area of responsibility), then based in Lausanne, commented, "We were the first company to see the need to go into licensed manufacture arrangements in Europe, and it's helped our brands enormously." In its foreign operations the international division of Philip Morris was well ahead of all American competitors in the extent of its agreements with tobacco monopolies.

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It had operational divisions in Europe/Middle East/Africa; in Latin America/Iberia; in Asia/Pacific, and Canada. By 1976 the division could again report that it was selling 175-plus brands in over 160 countries and territories.

A brochure of modest appearance, yet with impressive contents was published by the public relations department of Philip Morris International. It listed all of their operating company's associates, whether partners or affiliates engaged in manufacturing and marketing, and licensees throughout the world.

Unit sales of cigarets by this vigorous branch of the company totaled 171 billion in 1976. (That was an increase of 10.6 percent over 1975. Its share of foreign markets had increased by 5.1 percent.) The U.S. Department of Agriculture's 1976 estimate of cigarets sold in world markets, based on monopoly and other reports (together with U.S. sales), had gone slightly over 4 trillion units. This official record must have sent various contingents of cigaret opponents to their private Wailing Walls.

A dramatic account could be written of what it meant to effect the commercial associations abroad, just mentioned. In the majority of foreign countries the initial contact of a Philip

Morris International representative might very well be with a low-level official without authority to conclude a contract. Many months--even a year or more--could pass before a favorable decision to cooperate with American representatives filtered down from the chief authorities.

The final approval would have involved cigaret manufacturers, the state bank, legal staffs apart from monopoly decision makers. It required much more than perserverance to achieve a satisfactory agreement with a tobacco monopoly or a state-controlled organization. A comprehension of protocol, a sensitive understanding of a variety of characteristic foreign behavior patterns and infinite patience were among the basic ingredients for success in these delicate proceedings.

There were many similarities among the contracts finally made yet differences were frequent as well. For the most part state monopolies were licensed to produce one or more of the most popular of Philip Morris' brands (with the company's technical supervision) under a royalty agreement. Others entailed manufacture by Philip Morris and distribution by a monopoly. In some instances the company served as supplier of leaf.

The 1963 manufacturing and marketing contract with Italy's Monopolio di Stato remained a source of satisfaction and profit.

Marlboro and three Philip Morris regional brands were included. Marlboro, as usual, was the best seller with 11 percent of the nearly 25 percent that Philip Morris brands held of the 88.7 billion official cigaret market. Yet, in a population of nearly 56 million an even larger outlet for cigarets was said to be controlled by smugglers. The chief brands in this illicit merchandise were manufactured in Switzerland. In the same year that Philip Morris had contracted with the Italian monopoly, it had purchased the Swiss Fabrique de Tabac Réunies. Its chief products were Marlboro and Muratti Ambassador, both favorites among Italians.

Sweden represents a case-history in which a preliminary, analytical study had favorable results for Philip Morris International. There was no tobacco monopoly per se in Sweden. Svenska Tabac, a state-controlled company faced no competition from any Swedish firm. Its sole function, as authoritatively reported, is the distribution of imported cigarets.

As weight is the base of Sweden's duty on cigarets, the International division introduced Bond Street, a long, thin cigaret slightly below the established weight for its size. A health drive against smoking was current so the Philip Morris import was promoted as a low-tar type. It promptly became the favorite among Swedish smokers of foreign cigarets. Together with Marlboro, it held an 8 percent share of the market.

Several other Philip Morris brands were also available to the Swedes.

A customary strategy of Philip Morris Europe and other regional divisions of the International company was to link up with a popular local brand in foreign countries while introducing Marlboro. The Swedish situation was, therefore, a variation of usual procedures. The editor of the highly respected London-based World Tobacco magazine, Michael Barford, wrote that Philip Morris "adapts cleverly to local markets. In contrast, some firms seem to think they're doing the Swedes an honor by coming in with international brands."

Since 1966 the Régie Tabac monopoly had manufactured and marketed Marlboro. But that most popular cigaret held only about 1.5 percent of the French market. That was the result of the Régie's stubbornness in making its Gauloises and Gitanes available to smokers at "political prices" which undersold all imports. Nevertheless, Marlboro topped all other U.S.-type brands then sold in France.

The busy rivals

The chief competitors of Philip Morris Europe in Britain and on the Continent were Rothmans International Ltd. (estimated 11.5 percent of the markets) and the United Kingdom's other

major company: British-American Tobacco Ltd. with an estimated 9 to 10 percent. But tobacco authorities were predicitng that Philip Morris Europe, holding 8.5 percent of the enormous markets in the ten countries of East and West Europe where it had monopoly contracts, would soon match or pass B.A.T. Neither of the long-successful British companies had a cigaret comparable to Marlboro in popularity.

The career of Reynolds in Europe puzzled knowledgeable observers. In the States that firm had long remained the brightest star in the Big Six galaxy. Managerial experts and writers on corporate practices had frequently expressed admiration for its merchandising procedures which had brought the firm to first place in the industry. And the statement has frequently been made by those competent to judge that the management of Philip Morris was strongly influenced by Reynolds' imaginative pioneering programs.

Yet in Europe, except for the success of its Camel brand, particularly in West Germany, its marketing efforts had not resulted in notable successes. And a perceptive writer in Dun's Review (November 1976) categorized Reynolds as accident-prone. Two instances of mismanagement are reported: "the building of costly excess capacity in Germany and the need to dismantle and rebuild an unsatisfactory Swiss distribution system." It must have been such incidents as these which were responsible for the removal of the firm's European headquarters from Switzerland to Winston-Salem.

2025881953

A greater shock to members of the cigaret industry than Reynolds' mishaps in Europe came at the end of May 1976. Three of Reynolds Industries' top officials were forced to resign under pressure. Each was accussed of funnelling large amounts in corporate funds through concealed accounts between 1968 and 1973.

None of the trio had benefited personally. The payments went into domestic political contributions, at least $100,000 for overseas "questionable payments" and other outlays in that illegal category as well as unlawful rebates to shippers, etc.

The misuse of corporate funds seemed contagious. For less than two weeks after the Reynolds' scandal, Loews Corporation submitted a voluntary admission to the S.E.C. that its Lorillard Tobacco division had made "questionable payments" over the preceding five years during foreign sales of tobacco products. The amount involved approximated $1.5 million.

And in the 1976 "Annual Report" of Philip Morris a paragraph is devoted to a special audit of the company's worldwide activities and its subsidiaries. The period covered was from January 1, 1971 to March 31, 1976.

The Board of Directors and the S.E.C. received a report of a company investigation. Among the contributions made were none

that were unlawful political contributions. The report ends, however, on a tantalizingly provocative note: "Certain questionable payments were reported." What they were remains a secret.

Success stories

As has been reported in earlier chapters * Miller Brewing Company had initially seemed a doubtful investment. In 1973 it had been last on the list of the big brewers holding but 5 percent of the domestic market. By 1976 its share had risen to 12.2 percent, which put it in third place among the Big Five. Its innovative program, among them offering Miller High Life in seven-ounce bottles (while retaining its standard twelve-ounce size), won prompt consumer acceptance.

Even more successful was the national introduction of low-calorie Lite beer. ("Lite" had been bought from Meisterbrau, a Chicago firm which was retiring.) The new venture was supported by an energetic advertising campaign. Financial World expressed a general opinion through its comment that Millers Lite "has proved itself not only the first successful low-calorie beer, but the most successful new beer brand of this century."

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* And See the "Third Continuation," pp. 227-228 and 268

It was stated in Dun's Review that the full price paid for Miller had been $227 million. By 1975 about $385 million had been invested by Philip Morris for improvement and expansion of the brewery company. Far more in funding was to be made available. The estimate of what investment in Miller would be by 1980 went past a billion.

There was an abundance of physical evidence to show that faith in the growth of the company's strongly active domestic subsidiary had been sound. Miller breweries had increased to four, with two more close to the construction stage; three aluminum can and manufacturing plants were operating with a fourth being readied and a glass-bottle manufacturing plant was to be constructed in up-state New York. By April 1975 the first of Miller's can manufacturing plants was producing a million containers a day. The firm had taken on full distribution rights of a famed German beer: Löwenbrau.

It was confidently predicted, by those most familiar with the American beer industry that Miller would soon move from its 1976 third place share of the market to second. That would put it well ahead of Pabst and Schlitz and only fractionally behind the number one brewer: Anheuser-Busch.

One of the fullest files in the Philip Morris archives contains praiseworthy articles and news clippings about Joseph F. Cullman 3rd. An able account of his successful business activities, entitled "The Marvelous Marketer," appeared in the December 1976 issue of Dun's Review, referred to in the 1974 chapter.

He had been chairman of the board since 1966. When approaching the age of 65 board members expressed alarm that he might follow the usual pattern of big business executives who automatically (and, usually, unwillingly), retired. The chairman's conventional date for retirement would have been in April 1977.

"The key to the success of Philip Morris," remarked Arthur Baer, a vice president of a major investment securities firm, "is Joe Cullman. But unlike some earlier tobacco industry leaders, Cullman had purposefully created management in depth. Even after he finally steps down I expect Philip Morris to enjoy at least twenty years of top-caliber leadership." It did not take the 3rd of contemporary Joseph Cullmans long to accede to the request of his associates that he forego any thought about retiring. He agreed to remain on active duty for another five years with the company he had led to exceptional prosperity.

2025881957

In 1976 the foremost of the Big Six among cigaret manufacturers--R. J. Reynolds, founded in 1899--held 33 percent of the U.S. market. The share of Philip Morris was 25.4 percent .

In a <u>Business Week</u> article (December 6, 1976) a prediction was made, based on the growth patterns of Reynolds and Philip Morris since 1972, that the latter would move into first place in 1983. An industry volume of 686 billion cigarets was forecast. Philip Morris' share of that total would be 37 percent; that of Reynolds' 36.5 percent.

The general reaction among Philip Morris' executives was that 1983 was too long to wait. Furthermore, that date would be two years after the intended abdication of Joseph Cullman. How could he possibly retire unless the firm he had so long served was actually in first place!

In an earlier "Continuation" the comment was made that a company is known by the men it keeps. In that regard, Philip Morris had an enviable reputation. Year after year, since the Benson & Hedges contingent took up quarters at 100 Park Avenue, the firm's "Annual Report," with very few changes, reports the same names in its lists of officers. The office staffs, too, seemed to be firmly settled in their positions during many years.

Generally, this series of "Continuations" are industry (not company) histories--records of events revolving about the business and social activities of Philip Morris. Only limited space is accorded to individuals. But when an executive member of the company's busy staff voluntarily engages in an exceptional activity, the event deserves to be recorded in the firm's archives as a personal tribute.

The event occurred when one of the busiest members of the home-office personnel took a two months' leave of absence in order to serve on Jimmy Carter's staff, during the closing period of his campaign. The volunteer was Frank Saunders, director of corporate relations and communications for Philip Morris. An acknowledgement of the aid he provided appears on a color photo of the presidential swearing-in ceremony. It reads, "Your help on my campaign made this day possible. Jimmy Carter."

invitation

On the basis of his experience, Frank Saunders' offer to serve was quickly accepted. He was assigned to the directorship of business liaison at the Carter-Mondale headquarters in Atlanta. His background made him an ideal man for that sensitive post.

He had been an editorial assistant to H.V. Kaltenborn, American correspondent for several Australian newspapers, reporter and radio news writer for United Press. From 1949 to 1953 he was in the important post of an associate editor of Fortune. In the latter year he joined the firm of one of the most skillful of publicity specialists, Benjamin Sonnenberg and remained with him until 1960. Then he moved into a far more important and conspicuous spot when he associated himself with Ruder & Finn Incorporated, a major American public relations organization. There he became a partner, senior vice president and president of the agency's specialized subsidiaries.

More could be favorably told about Frank Saunders. The foregoing mini-biography should, however, provide sufficient evidence of his expertise in publicity and public relations--and why he was clearly an asset to the Carter-Mondale staff. After all, his candidates won!

The contagion theory

The latest form of industry harassment--restrictions on smoking in various public areas--had intensified by the mid 1970's. By 1976 there were 31 states and many cities in the U.S. where regulations were in effect limiting or prohibiting places where anyone could smoke.

Some of these controls had long been in affect and were reasonable and, therefore, accepted without protest. Some were senseless and unenforceable. Far too many of these had been enacted on the mistaken information that the ordinary fume of cigarets could endanger the health of proximate non-smokers. Some were simply the result of missionary fervor by tobaccophobes.

While none of these regulations had had a visible effect on sales, as a body they had become an irritant to industry management. Just what counter measures to take appears to have evaded the strategic intentions of the legal and public relations counsel of the Big Six. The Tobacco Institute, some time later, issued a collection of statements from a number of the foremost medical authorities which forcefully dismissed the contagion theory as one deceptively pinned on cigaret smoke.* But it was obvious that legislators climbing on band wagons had no interest in reading statements contrary to their emotional beliefs.

A columnist in the Flint, Michigan Journal, Alan Macleese, wrote

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* See footnote, p. 110 in the 1975 chapter.

that "these nonsmokers could get so powerful (that) one day they'd have us all up before firing squads. And not allow us the traditional courtesy of a last cigarette on grounds that it is harmful to our health." Macleese knew that a suit had been entered in a Michigan court by a football enthusiast who demanded that smoking be prohibited in the new Pontiac Stadium.

What appears to have been the first of such legal actions had been based on smoking in New Orleans La Superdome.* That suit was dismissed on September 11, 1976 by federal District Court Judge Jack M. Gordon. The language of his decision should have had the effect of preventing further "passive smoking" suits. These excerpts are surely enough to support that suggestion:

"For the Constitution to be read to protect non-smokers from inhaling tobacco smoke would be to broaden the rights of the Constitution to limit heretofore unheard of" (and) "to hold that the First, Fifth, Ninth or Fourteenth Amendments recognize as fundamental the right to be free from cigarette smoke would be to mock the lofty purposes of such amendments. . . "

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* See p. 112 in preceding chapter

Judge Gordon was of the opinion that the relief desired by the plaintiffs was reserved to the state legislature, not the courts. Yet, "This court is of the opinion that the State's permissive attitude toward smoking in the Louisiana Superdome adequately preserves the delicate balance of individual rights without yielding to the temptation to intervene in purely private matters."

When the plaintiffs' attorney entered an appeal following Judge Gordon's dismissal of the suit, the decision was upheld by a panel of three federal court judges. Although the final result lies beyond the terminal date of this "Continuation," it should be reported that an appeal to the Supreme Court also proved fruitless, when that body declined to hear the case.

Smoking was banned in the arena of the Omni Stadium at Atlanta, Georgia but permitted in its concourse. This restriction did not, however, result from the passive smoker theory. It followed from group complaints that, during hockey games, the action could not be clearly seen from the upper levels owing to haze rising from tobacco smoke.

A Nevada law of 1975 requiring the posting of "No Smoking" signs

in various public buildings had been evaded by the Elko General Hospital, Elko, Nevada. The County Commission was opposed to signs in the city's institutions. When, however the state authorities became insistent, the Hospital management submitted by tacking up a "No Smoking" sign printed in Hebrew. The United Press International, which provided this exciting news, also pointed out that there was no Jewish community in Elko.

Very satisfied with the developing restrictions on smoking in public places was that tireless antagonist of the cigaret industry, John F. Banzhaf, 3rd. He expressed the opinion that the movement could become more menacing to the industry than the intermittent health warnings.

Then, smoothly ignoring the basic reason for the legal restrictions that excluded smokers from a variety of public sites--the unscientific contagion theory--he provided a tenuous explanation of why the smoking bans were dangerous to the industry. "The notion that it is not socially acceptable to smoke in public cuts right against the image that cigarette advertising tries to convey--that cigarettes are smoked by sophisticated, social, sexy people."

2025881964

Facts and figures

There was a drop (about $2.7 million) in the value of Philip Morris' most essential physical asset: its leaf inventory. The drop wasn't too important. The annual balance sheet showed that leaf tobacco warehoused was worth $89.3 million more than a billion.

American farmers of flue-cured tobacco produced 1.3-plus billion pounds of the leaf in 1976, close to 100 million pounds less than in 1975. The total crop value came to $1,452,884,000. The yield of burley was more than 663 million pounds--slightly less than 25 million pounds over the 1975 total and its value was $757.8 million. Exports of flue-cured leaf reached 514,228,000 pounds, worth $700,596,000; of burley, 116,835,000 pounds at a cost of $123,504,000 to its buyers. (Poundage is farm sales weights; value is declared weight). Cigarets shipped to foreign countries totaled 71.5 billion.* The share of Philip Morris International in that total was 31 percent.

Manufacturers of small cigarets turned out very close to 693.4 billion units in 1976 and for those who longed for extra puffs, 2.4 billion large cigarets. In the same year, per capita consumption of smokers 18 years and older was 4,092, a figure somewhat less than the three preceding years but above those for 1969 to 1972 inclusive. Department of

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* Maxwell estimate as published in Philip Morris "Fact Sheet," February 1978

Agriculture statisticians who provided the figures were limited by tradition to "18 years and over." In actuality the per capita figures, especially for the most recent years, are considerably higher. But official evaluations exclude the growing number of those aged 12 to 17 who have joined the ranks of cigaret smokers.

During the process of engaging in a cherished habit, the American smoking population spent $15½ billion. That private enjoyment was very profitable for public treasuries. The federal revenue from the cigaret tax in 1976 was $2.4 billion; income to the states from their excise total came to $3.5 billion, and municipalities collected $0.1 billion take or leave a few thousand dollars. The combination of taxes on packages of cigarets came to about 41 percent nationwide, based on an average of retail prices.

Attempts were made by legislators in 24 states to increase the cigaret tax. Each of these efforts were defeated by a variety of arguments of which the most persuasive was the likelihood of a decrease in tax income. New York, the only city in the state that taxed cigarets collected $51-plus million in 1976. In the same year, as of January 1, the nicotine/tar special tax was canceled. The gross 1976 cigaret excise in New York exceeded that of any other state. It came to $338,668,000.

Vending Times reported that cigarets accounted for 27.1 percent of the products automatically dispensed. The dollar volume totaled $2.6-plus billion. That represented twice the income derived from vended canned drinks. In the States there were 899,200 vending machines on location. That meant 14,000 fewer dispensers than in 1975; over 28,000 below the 1974 total. But despite these numerical drops there had been practically no change in dollar volume owing to the rise--sometimes above 65 cents a package--in many cities. Cigaret prices were raised again in 1976, in the second week of October. The increase imposed by Philip Morris was 75 percent each thousand.

"Buttlegging" remained a problem for the legitimate distributors of cigarets and for fiscal authorities in many states. The Interstate Revenue Research Center (IRRC) located in Indianapolis had a $787,500 grant from the Law Enforcement Assistance Administration (LEAA). Its assignment, planned in 1976, was initially limited to seven states: Florida, Illinois, Indiana, Michigan, Minnesota, Missouri and Ohio. There is a group of agents with IRRC who maintain surveillance over suspected smugglers and who are authorized to make arrests. The IRRC is responsible for the confiscation and resale of the illegal merchandise. Recent revenue from such operations provided around $325,000 plus penalties and taxes to a number of the covered states.

The usual sources of bootlegged cigarets are North Carolina, Kentucky and Virginia with a 2-cent, 3-cent and 2.5-cent cigaret tax respectively. The Council Against Cigarette Bootlegging, funded by the industry, estimated that at least 44 million cartons of cigarets would be run into New York alone in 1976. That, it said, would mean a revenue loss of $110 million to the state.

"Combatting Cigarette Smuggling," a 38-page booklet published by LEAA gives an account of the procedures of large-scale bootleggers. They steal or counterfeit tax stamps, mingle illicit cigarets with those properly stamped, hijack trucks loaded with merchandise intended for illegal sale. "In transit, truck license plates are switched, loads are transfered from one truck to another at predesignated points, back roads are used, and lead and tail cars are employed to protect the cargo." No movements by planes or waterways?

The buttlegger's life is obviously a busy one and each must feel that he is entitled to the rewards of an honest living. His vocation can become--and probably now is--a dangerous one. For, as reported by a LEAA official, there are "strong indications" that tough gangs are moving (or have moved) into a highly profitable business. It would be dangerous to intrude on the

turf controlled by them. That is now believed to include the ownership of established wholesale and retail companies.

Updated gas attack

Shortly after the mid-1950's the publishers and editors of Reader's Digest started on their missionary campaign to rid the world of cigaret smokers. Thereafter came an abundant series of related articles. Manufacturers of the "stinking weed" and its users were equally abused. Occasionally there were horror stories, sometimes decidedly puerile ones, about the devastating effects of smoking. It was a reasonable guess that these were designed for the semi-literates who are among the readership of mass-produced popular magazines.

Over the years there were pauses in the Digest's campaign. These hiatuses very probably stemmed from editorial awareness that the repetitive quality of the subject was beginning to bore readers. Furthermore, it required no survey to show that the plethora of articles was having no effect in decreasing the population of smokers.

The campaign was revived in the October 1976 issue with an introductory note. It read, in part: "Here, for the first time anywhere, The Reader's Digest reveals the amount of carbon monoxide in leading cigarette brands." The presence of carbon

monoxide (CO), a poisonouse gas, was known to toxicologists and chemical analysts 50 years earlier. The quantity of this element was common knowledge to those scientists and, for many years, to the FTC.

The Digest had commissioned a study by Foster D. Snell, Inc. which was confined to three gases--carbon monoxide, hydrogen cyanide and nitrogen oxide--which, "together with nicotine (are) responsible for many of the 200,000 cigarette-related premature deaths each year in the United States from heart and circulatory diseases, emphysema and chronic bronchitis--about three times as many as from lung-cancer caused by tar." Snell was to report on analyses of the 20 leading domestic brands and 6 described as low-tar, low-nicotine types which "are safer in terms of CO."

The first article, "Poison Gases in Your Cigarette: Carbon Monoxide," based on the Snell study was by Walter S. Ross. Tables were provided which list the amount of CO in the leading brands.

The noted toxicologist, Dr. Gio Gori is quoted by Ross when referring to the danger of "cigarette gas." Yet Dr. Gori (as reported in an earlier chapter), two months later presented a far less alarmist account of the components of smoke than

Ross did. There is an implied hope in the _Digest_ article that the danger to smokers from toxic gases will be recognized by the authorities. That should lead to stricter warning notices in advertisements and on packages. After all, the Swedish parliament had passed a law--the first of its kind in any country Ross wrote--which required that every package carry "an assay of tar and nicotine (and) also the milligrams of carbon monoxide" in cigaret smoke.

A succeeding _Digest_ article (December 1976) continued the Snell study. It was maintained that a number of cigarets promoted as low in tar and nicotine actually generated more nitrogen oxide than _Camel_, _Winston_ (filter, king) and _Lucky Strike_ (regular)--all high-tar brands. And among the dangerous cigarets that held high levels of hydrogen cyanide were several that were sales leaders.

Merit (king) and Brown & Williamson's unsuccessful _Fact_ (king) were specifically condemned because of the heavy concentration of nitrogen oxide in each. Thus their claims of much less tar and nicotine than numerous popular brands were valueless. "Almost all of the leading filter brands tested produce more poison gases than the non-filter types tested." But _Now_ (king) and _Carlton 70_ are consistently low in tar and nicotine and the three gases."

The Tobacco Institute, without reference to the Reader's Digest series, mentioned the trio of gases dealt with in the Snell study in its publication, "On Smoking." The writer acknowledged that these gases were components of cigaret smoke. "However," [they] occur only in low concentrations and small quantities . . ." and do not "produce significant effects."

Generally, such statements agree with the published opinions of toxicologists and many other able medical scientists. "Cigarette smoking is an insignificant source of carbon monoxide in the overall atmosphere," wrote Dr. Helmut Wakeham in Preventive Medicine (December 1977), "as compared with other natural and man-made sources."

Concurrently with publication of the second Digest article, a report was published on the status of the Toxic Substances Control Act (TOSCA). This legislation had been passed by Congress (after five years of evasive discussions that began in 1971.) Its purpose was the control of toxic chemicals of potential danger to health and the environment. The cigaret industry had expected that the Environmental Protection Agency, administrator of TOSCA, would produce evidence to absolve cigarets as a substantial source of lethal diseases. But five years after passage (1976), application of the law was characterized as ineffective and its admistrators in a state of confusion.

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However, the Agency, together with the Natural Resources Defense Council and other official bodies concerned with environmental protection provided testimony during congressional hearings that were of particular interest to the tobacco industry. It showed that 60 to 90 percent of all human cancers are related to environmental factors.

During the 1970's a consistent target of congressional attention was the cigaret industry. One of the bills, that presented by Representative Robert F. Drinan (D.,Mass.), seemed likely of passage.

The bill if enacted, would have required an extension of the current health warning then printed on packages and in advertisements. Its message was explicit: "Warning: Cigarette Smoking is Dangerous to Your Health and May Cause Death from Cancer, Coronary Heart Disease, Chronic Bronchitis, Pulmonary Emphysema and Other Diseases." The tar and nicotine content would have to be listed on all packages, not only on those with low-tar brands.

There was one element certain to thwart the purpose of the Drinan proposal, common to those relating to cautionary advice on packagings: consumers rarely read such admonitions.

Far more welcome to the industry during the protracted debate over the assumed or valid effects of smoking on the human body was a report issued by Dr. E. Cuyler Hammond around mid-September 1976. This pre-eminent authority on cancer (see p.110) had been conducting research on low-tar/-nicotine cigarets.

These types, he had concluded, would lower fatal diseases resulting from smoking. He advised manufacturers to cancel the production of cigarets which contained accumulations of tar and/or nicotine regarded by medical authorities as dangerous to human health. A further announcement by Dr. Hammond proved to be contrary to long-established opinion. It was the statement that there were types of cancer that afflicted cigar and pipe smokers at rates higher than those found among users of cigarets.

FTC harassment

Having announced in mid-May 1976 that Americans smoked 6.5 (or 8.5 billion) more cigarets in 1974 than they had in 1975, the FTC preceeded to a more threatening posture. Its officers were to begin another investigation of the cigaret industry. The newest probe was to determine whether deceptive advertisements were encouraging people to smoke. Concurrently, the agency recommended a much stronger cautionary health message on packages and in all advertising.

Then, early in June there was a further setback to industry hopes and a cause for deep concern. The Big Six had petitioned the Supreme Court for a restraining order on the FTC to curb its action in relation to type sizes on required warning notices (see p.99). Its members also asked for a stay on further accumulation of penalties planned by the FTC, pending the outcome of litigation begun by the Justice Department. Both applications for relief were denied by the Court.

Not quite satisfied with its allegations of industry failure to conform with the 1972 agreement regarding type sizes, a criticism directed at print ads and point-of-sale material, the FTC broadened its attack. Late in July it charged that the health warnings on cigaret ads on transit posters and billboards were not "easily readable."

"What they [the FTC] are talking about," observed an industry executive, in regard to warning notices on packages and newspapers, "is 1/72nd of an inch." Thoughtful observers, not associated with the industry, felt that the FTC had become unreasonable and that its legal action resulted from bias reinforced by malice.

Reynolds Industries expressed the conviction that the Commission was "motivated by political reasons." The firm filed suit early

in August 1976 which, if successful, would compel the agency to produce documents it felt would serve to exonerate the company from liability.

Harassment quadrupled

As reported in 1974 the Bureau of Consumer Protection (of FTC) had obtained tear sheets of cigaret advertisements published in several hundred American newspapers, etc. Bureau executives seemed convinced that the increase in cigaret smoking was traceable to media promotions. Then the Big Six were accused of violating the 1972 agreement in regard to type sizes in printed health warnings. That was followed by a demand that cautionary messages in stronger terms be made more conspicuous than the message currently in advertisements, etc.

That trio of activities seemed, to reasonable observers, to be sufficiently inclusive. But the determination of the agency's officers to add to the difficulties of the Big Six had not been satisfied. They invaded an area of an extremely private character--one long protected from outside observation. The activity took the form of subpoenas served on the chief companies in mid-May requiring that all market research conducted since 1964 be submitted to the FTC by July 15.

The subpoena had the effect of an earthquake on the recipients. The material demanded "all documents, including but not limited to marketing, advertising or consumer surveys, experiments, or other research prepared by or for the corporation or any other party between Jan. 1, 1964 and the date upon which return to the attached subpoena is made." Having thus clearly indicated their intention to ferret out the closely guarded secrets of the most important **manufacturers of cigarets**, the agency officials planned a further intrusion in industry affairs. They announced that an investigation would be made of the promotional sponsorship by members of the Big Six of cultural programs as well as sporting events.

The intention of the proposed exhaustive and expensive investigation was a simple one: did industry advertising and other promotional activities influence people to start smoking, continue the practice and provide an invitation to youthful persons to participate? "Simple" is the correct word for such a motivation. It displays complete ignorance of the history of **mankind's** most universal social habit. It ignores the evidence. The habit of smoking circumnavigated the world centuries before any type of advertising of tobacco products began. And in various parts of today's world the use of cigarets is widely fixed even though advertising of brands is prohibited.

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Industry spokesmen and associates promptly voiced their objections to the FTC's demands. The subpoenas' terminal date could not possibly be met even if industry members decided to comply. An agency--unnamed--which promotes two brands stated that compliance would require turning over 250,000 pages of documents; estimated that "copying these (papers) alone will cost us about $400,000.

Thousands of man-hours would be involved said a Reynolds' spokesman. One of Brown & Williamson's officers appears to have gone to some trouble to dramatise his protest. Were his company to submit to the FTC's demands, the research documents of the firm would present a stack 483 feet high! (That measurement must have been a computer calculation).

One of the Commission's attorneys, Richard B. Herzog, who had been assigned to oversee the investigation, indicated before its start that he was not going to be objective. Interviewed by a Business Week writer, he had expressed his bias when he stated that cigarets "are dangerous and they are habitual." Thus, they are excluded from treatment as an acceptable consumer product. Having made the statement, he later attempted to modify it. He asked his interviewer to insert "may be" before his opinion that cigarets are "dangerous" and "habitual."

James Bowling felt that voluntary compliance with the FTC's surprise requisition would be to the industry's disadvantage. "They have developed a psychology that says it is their duty to reduce cigarette consumption. Congress never empowered the FTC to cut cigarette sales."

Robert Roach, public relations director of Brown & Williamson, expressed a general opinion of the subpoenad companies' executives: "We feel this is a further extension of the broad scale, punitive attack on the industry. The material they are asking for is private."

No one in the industry nor associated with cigaret manufacturers as agencies or in legal or public relations staffs had any faith in the FTC's promises (or ability) to hold any research material received, as entitled to strict confidentiality. An attorney who retained his anonymity, represented the industry consensus when, inter alia ,he remarked, "It would take only one call from a senator, and the FTC would send along whatever was requested. Their record for maintaining confidence is not good."

That was in July 1976. Two months later the six companies under attack filed motions with the FTC which represented an extension

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of the attorney's criticism. They wished to prevent any further collection of data relating to 1975 advertising programs and to company sales. Once again the plaintiffs stressed the argument that the Commission was unable to protect them against leaks of confidential data to members of Congress or to FTC consultants whose opposition to the industry was a matter of public record.

The companies' representatives suggested that the FTC submit to a federal court order which would guarantee the confidentiality of submitted data. If that was unacceptable, an independent accounting firm could be engaged to tabulate the voluminous material into aggregate industry totals. Both suggestions were rejected by the FTC attorneys.

The dislocation of Philip Morris

The peeling of the Big Apple took on a brighter sheen when the Philip Morris management announced that New York City was more appealing than a number of Connecticut towns under consideration for the company's new headquarters. When that decision was announced, it was regarded by the press as an event of prime importance. Apart from news coverage there was an approving New York Times editorial and a public appearance of Johnny Philip Morris with Mayor Beame. When the latter was on tiptoe

he towered over the famed little man by several inches.

It was reported that rents in Stamford, per example, were $2.18 to $8.94 a square foot higher than space in comparable buildings located in New York City. That factor was the determinant in management's decision. The firm had signed a 15-year lease for an expanded occupancy at 100 Park Ave, long its City address. Currently, it was making use of 170,000 square foot on five floors. Under the new lease, the footage would be increased to 275,000 feet with an option for an additional 25,000 feet.

The lessor was the Prudential Insurance Company of America. Cumulative rents to 1991 would reach $35 million. Philip Morris intended to spend at least $5 million on renovations and to increase its staff of 700 to a thousand. Current salaries totaled $15 million annually. A company executive estimated that the firm dealt with around a thousand different businesses. Its New York State and local taxes in the preceding year ran to more than $126 million.

An analysis had been made of tax differentials. Had headquarters been transferred to Connecticut, the firm could have paid $800,000 less on City and probably as much as $1,500,000 on State taxes. But 100 Park Avenue was home--a site rich in

memories of importance--and the scene of the advancement of Philip Morris from the rear of the Big Six to close to first place.

Everything was settled, now, at least for the next 15 years. But was it? Not long after the momentous announcement that Philip Morris would remain in place, it was reported that its management had succumbed to an ambitious plan and would erect its own (and magnificent building) opposite the Grand Central Terminal!

In the Public interest

The broad diversification of the arts is made clearly evident in the lengthy list, "Corporate Support of the Arts, 1963-1978," compiled by Odile Jacobs, mentioned earlier in this work.

Apart from the welcome element of diversity is the imaginative feature of many of the exhibitions and other art-related programs. All of these were sponsored by Philip Morris Incorporated, its affiliates, associates or co-sponsors. Each public display was regarded by knowledgeable observers as exceptional; many were classified as unique. Outstanding among the musical events was the appearance of the most famous of opera companies: Milan's La Scala. Its American tour was triumphant, to have brought the great ensemble to the States was

a triumph.

This was the first American visit by this distinguished group. For opera lovers it was the high-light of the Bicentennial Year. Four operas in 14 performances were presented at the John F. Kennedy Center for the Performing Arts, and Verdi's stirring Requiem was sung in Philadelphia and New York. There were four sponsors, including Philip Morris International on behalf of Marlboro.

The list of art associations, cultural centers, historical societies, libraries, museums, orchestras, music groups and theatres sponsored by the parent company, by Philip Morris Industrial, Miller Brewing Company and Philip Morris Europe is impressive in its extent and character. Additionally, there were commissions to individual artists or groups by the home company, Miller, various foreign affiliates and Philip Morris International. A five-year grant of $150,000 for the purchase of works by innovative Australian artists had been awarded in 1974 by Philip Morris, Australia which also sponsored continuing exhibitions of these acquisitions. Examples of native art produced by American Indians, Eskimos and black Americans were shown in various cities. The sponsors were Philip Morris Incorporated, Milprint, Miller and Benson & Hedges, Canada.

While underwriting the productions of foreign and American artists, Philip Morris Incorporated and Miller Brewing Company contributed an example each of their own corporate art, through brochures in eye-catching color. The first was largely devoted to the new complex of buildings recently erected in Richmond. Reference is made to the "187 locally created works of art selected from regional exhibits" at cities in Virginia and elsewhere. The second is a striking visual and factual survey of Miller's operations.

The author of the prefatory account in the Company's 1976 "Annual Report" noted that "Philip Morris is recognized around the world as a leading corporate patron of the arts" and mentioned several art exhibits then on tour.

Linked with a strongly developed sense of social responsibility was management's ongoing support of educational institutions and the educational advancement of individuals. In addition to substantial grants to private, independent institutions of higher learning, college and vocational scholarships were made available to children of the company's employees. Support of education took nearly half of the corporate contributions made in the States. Abroad, there were generous commitments for basic health care as well as community development.

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Contradictions and confusions

What must surely be rated a novelty is a scientific report that found something good in tobacco. The report, published in the March 1977 issue of BioScience, appears to have been ignored by the general press. Its official source entitled it to at least a degree of the usual media coverage.

Homogenized Leaf Curing (HLC) is the title of a new process through which proteins and other useful compounds are removed from tobacco. This occurs before the leaves are processed for conversion into cigarets or other consumer products. Wrote the article author, "The proteins, especially Fraction-1-Protein, which is as nutritious as milk and more so than soybeans, have great potential for use as human and animal foods."

It is pointed out that leaf tobacco contains three groups of compounds, each related to smoke quality. One improves that essential characteristic; another impairs it, and others do neither. It is from the two last that the desirable proteins are derived. Those organic compounds are, however, not the only valuable bio-chemical ingredients in tobacco that are potentially useful. Others include alkaloids, carbohydrates, lipids and phenolics. Some of these are being researched for their value in medicines or pesticides.

All of these compounds can now be removed simply through the new curing process, and at a lower cost than were extraction dependent on the conventional methods of curing. The novel procedure was developed by T.C. Tso of the United States Department of Agriculture's Agricultural Research Service at Beltsville, Maryland. HLC was originally planned as a labor-saving device and one which would improve the quality of the cured leaf. The tobacco is pulped or macerated and the proteins are then extracted from the mass and purified.

The desirable component, Fraction-1-Protein, is described as "pure, tasteless, odorless, colorless, stable and easy to store . . . the major soluble protein in all green plants." Although the object of intensive research by scientists, it has not been possible to crystallize it from any major crop except tobacco. Dr. Tso estimates that current yield levels would amount to 3 to 7 kilograms per hectare (10,000 square meters, equivalent to 2,471 acres.) That, according to the developer of HLC would supply the protein needs of 33 to 63 million people by the year 2000, "(depending on the daily consumption standard used) without increasing hectarage." Even if world population doubles by 2000, says Dr. Tso, "we can make sensible use of the protein fractions and other useful products from tobacco that will otherwise literally be going up in smoke."

The history of therapeutics is replete with disagreements and confusion, sometimes with tragic results. Tobacco, for instance, in every possible pharmacological form or as an inhalant, unguent, etc., served as a panacea for more than two centuries until the mid-1800's. It was largely discarded in medical use when a physician described it as "neither safe nor manageable," and another cited it as one of the "most profound errors in medical history."

Six months after the invaluable discovery of Dr. Tso had been publicly announced an article appeared in the Times with the heading, "Tobacco Protein Viewed as Link to Heart Illness." Two experimental pathologists at the New York Hospital-Cornell University Medical Center, Doctors Carl G. Becker and Theodore Dubin., have identified a substance called rutin, a protein found in tobacco as well as in cigaret smoke, that affects the human blood-clotting system. According to a report published in the Journal of Experimental Medicine, rutin is not found solely in tobacco leaves but is present in many vegetables, including potatoes and tomatoes.

It is observed that the epidemiological and pathological studies of recent years have cited cigaret smoking as responsible for an increase in disorders of the heart and lungs. But these findings had depended "primarily on statistical evidence rather than

results of biological laboratory tests." As a result of their experimental work, the two pathologists acquired reasonable proof that rutin triggered blood clotting reactions which could damage the heart. Yet there were enough variables in their analyses for both men to refer to their conclusions as theories which required further research for verification.

Meanwhile nutritionists and other medical authorities are awaiting the practical application of Dr. Tso's notable discovery.

One other research program must be reported here for its conclusions add to the body of confusion provided by a number of genuine and pseudo-scientists. Unlike the conventional surveys into the effects of cigaret smoking, it does not deal with their relationship to the human heart or lungs but to the brain (read mind), the bladder and kidneys.

The project, undertaken by several research psychologists at Columbia University, was funded by Philip Morris, U.S.A. The team was headed by Professor Stanley Schachter, a confessed two-and-a-half package a day smoker. That quantity is required, says he, by his "own biochemical mechanism."

The original purpose of the survey was to determine whether nicotine was the component which made addicts of smokers. (The fact that habitual users were indeed addicts depending on nicotine had been generally accepted at least a half century earlier.) Yet prior to the sponsored study, Schachter had written (as reported in Science News, May 7, 1977) that "the research evidence in its support (of addiction) is inconclusive and inconsistent," and imprecise earlier studies indicate "that there are at least some who smoke for reasons other than a need for nicotine."

A report of five related studies was published in the March, 1976 Journal of Experimental Psychology. The team's findings were that not all smokers are addicts; heavy smoking occurs when the urine acid level is higher; stressful situations result in heavier smoking for physical as well as emotional reasons; urinary pH can be reduced by the use of vitamin C and raised with bicarbonate of soda or Alka Seltzer, either of which lowers the acid level. One test showed that smokers who used bicarbonate "smoked 22.7 percent fewer cigarets than those given placebos."

Schachter's proposal, as the result of the research undertaken, was for a "sane cigarette. . . high nicotine, low tar and low gas.

Most cigarets, he points out, contain 40 noxious gases but he neglects to state that smokers'intake of these components is minimal. Furthermore, his suggestion came at a time when manufactures were promoting numerous brands with lowered mgs of nicotine as well as tar.

In that regard the industry could hardly welcome his comment, published in Time,* "Current low-tar, low-nicotine brands may be lethal. . . You wind up getting far more dangerous combustion products for the same nicotine payoff as stronger cigarettes. Worse, it's probably a good guess that the low-tar brands are hooking millions of teen-agers."

With the steady growth in net income achieved by Philip Morris, it could well afford its sponsorship of such research as that conducted by the Columbia University team of psychologists. Now that it had the neatly prepared findings, what practical use could be made of the conclusions? Perhaps a suggestions will be helpful. In view of the 22.7 percent drop in use by the tested smokers mentioned above, maybe packages of Philip Morris brands should contain the warning: "Do not use bicarbonate of soda or Alka Seltzer when smoking these cigarettes!"

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The battle of the century

The complexity of the FTC's suits against the Big Six and Reynolds?

* February 21, 1977

August 1976 action versus the agency was indicated by decisions of a U.S. magistrate, Harold J. Raby. He had recommended that 200 government documents be released to Reynolds, despite the insistence of federal attorneys that they were confidential.

Then, in January 1977, Magistrate Raby had submitted a report to Federal District Judge John M. Cannella supporting Reynolds' bid for documents which would clear the firm of the FTC charge that it had violated the 1972 consent order. Yet the magistrate had announced that an examination of three batches of confidential documents held by the government showed no indication of bad faith on the part of the FTC against the Big Six. At the time of the announcement he conceded that he had not yet examined numerous papers of a secret nature, put at his disposal by the government.

By April, however, he had reversed his report and upheld the FTC's position. Reynolds, he said, would not need the agency's documents unless the commission won its case by proving that the company had violated the consent order. And, for the time being, he denied the FTC demand for confidential records of Reynolds' meeting.

The various contrary opinions of courts, most supporting the FTC's

demands and the refusal of the Supreme Court to stay the accumulation of penalties against the Big Six (as mentioned in the preceding chapter) had had the normal effect of intensifying the stubborness of the FTC staff. A request by the defendants that the Commission reduce its planned comprehensive investigation of the effect of industry advertising and promotional practices on the consumer was denied.

Instead, a new deadline was set. In addition to the six major companies, 20 advertising agencies and two industry groups were given until June 27 to comply with subpoenas obtained by the FTC staff. Added to the material demanded through the May 1976 subpoenas were advertisements and associated research going back to 1971, including even prepared promotional material that had not been utilized.

Since 1967 cigaret manufacturers had made an annual "special report" to the Commission. The purpose of these disclosures was to show that the industry was complying with requirements for health warnings and listings of tar and nicotine content on brands offered the public. Each firm, until 1974, had to submit to the FTC details of its expenditures, broken into five categories. That meant various forms of media and direct advertising costs. The new demands of the FTC related to its

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interest in how the manufacturers "enticed" new customers. As an instance of the depth of its intended investigation it wanted a 12-category breakdown which, added to customary data, was to indicate retailers' allowances, point-of-sale promotions, testimonials, public entertainment events, etc. in 1975.

From the time of its original demand for confidential data, attorneys for the Big Six had collectively sought for a compromise with the FTC staff assigned to the complex investigation. After this group announced that the law prohibited them from not sharing the sought-for information with Congress, the attorneys made a proposal to assure a reasonable confidentiality. They would make use of an objective third party to whom the requested data would be submitted. In turn he (or they) would provide the FTC the industry wide-information which was sought. That proposal was rejected on very specious grounds. The industry was, therefore, back where the fracas had started.

For many years industry researchers had been collecting the results of their private surveys on smokers' behavior patterns, all facets of the health issue, the consequences of efforts to attract cigaret users to sample their company's brands, the reasons why reformed smokers frequently relapsed, why some advertising campaigns succeeded and others failed, etc. The Commission was preparing to demand this data as well--and the

suggestion that it would,added heavily to management's sense of irritation and frustration.

It did seem at one point that FTC operatives were bent on the destruction of the cigaret industry. Once again they insisted that Congress require that a death warning appear on cigaret packages. The demand had been made to Congress before--and ignored. Despite the voluminous, widespread announcements that smoking was responsible for a variety of lethal diseases, a FTC consultant reported that Americans"are not well informed" about the health risks of cigaret use. The report was the work of a University of Illinois psychologist, Martin Fishbein.

A federal court suit, entered by the industry, to block the FTC's subpoenas was pending. There were rumors of congressional action or a presidential directive to curb the Commission's unreasonable demands.

As observed before, the litigation in this involved issue was to become protracted. But a temporary truce was effected when the six major companies entered into a pact with the FTC. So long as the Commission felt it could not maintain full confidentiality, at least from Congress, it could make public the data relating to the industry's non-media advertising costs for the years 1970 and 1975. The agency could not, however publish a company's

individual figures without prior notification to the firm(s) involved.

A counter suit filed by 28 firms against the FTC was still awaiting a federal court's decision. It may, therefore, be reasonably assumed that the industry-commission pact was a sensitive one, with the cigaret manufacturers warily watching for violations by any member of the FTC staff.

Tar Derby revival

In a November issue of Barrons Maxwell mentions that "tars" was "currently the industry's dirty-sounding, four-letter buzzword." "Tar" had always been a disreputable--and innaccurate--word when applied to tobacco, and cigaret manufactures, in recognition of the latter fact, frequently enclosed it in quots.

Maxwell's facetious remark needs amplification. In the latter quarter of the 1970's the industry seemed enamored of "less" (or "lower") "nicotine and tar," or "lowest in nicotine and tar." Except for firms already members of the "low-tar" group, such as United States Tobacco Company (with its well-established Sano) and American Brands with its prize package, Carlton, manufacturers were pacing each other in a revival of the low-tar derbies of an earlier period. In 1977 there was a sales increase of 43 percent of brands with a tar content of 15mg or less. This represented

one out of each six cigarets sold in the domestic market.

Lorillard, for instance, among the six majors, which had not been a notable success for the preceding ten years, showed the largest percentage gain in sales--12.2--in 1977 over 1976. Its new strength came from Kent Golden Lights (9mg tar;0.7mg nicotine) which advanced to 12 billion from 3 billion units in 1976 and True (in four types) which moved up 28.5 percent to 10.8 billion. The tar and nicotine content of the latter ranged from 5mg and 0 .4mg respectively, for the king size, filter, to the 100mm type, filter with or without menthol, holding 13mg and .8mg.

Under the caption "How Dangerous Is Your Brand of Cigarette?" Good Housekeeping in its February 1977 issue listed 60 brands and their tar and nicotine content. Not unexpectedly, Carlton heads the lowest group. A popular management belief was that 15mg of tar would shortly be established in the industry as the outside limit. If accepted, that would require a slight reduction in about a dozen brands that conclude the Good Housekeeping list. Included in that last group, are Benson & Hedges, king, filter (hard pack), Saratoga, 120mm in two types and Virginia Slims, 120mm, filter (hard pack), each 16mg tar and 1mg nicotine.

Early in 1977 it was generally agreed by health organizations and official agencies that the domestic smoking population of the

U.S. was still in the range of 55 to 60 million. A considerable segment of these smokers, the more seasoned ones, were making it sufficiently clear that they were not satisfied with cigarets in which tar and/or nicotine had been noticeably reduced. On a national average their preference was for cigarets with 17 or 18mgs of tar. That, in itself, was an enormous reduction from the heroic days, take 1955 for instance, when the tar yield was 43mg. There may be some private brands manufactured for smokers with asbestos lungs in which the tar delivers a welcome bite but on the domestic market the FTC ratings then listed no cigarets that produced over 34mg of tar,

As has been reported earlier, the National Cancer Institute--a federal agency--for over a decade had been engaged in a search for a "safe" cigaret. Its experiments were broad: more than 150 different cigarets were produced, each with an element of toxicity, which was then reduced or even eliminated by a variety of methods. The director of the project was Dr. Gio B. Gori, several times quoted or referred to in earlier parts of this "Continuation." His basic philosophy was expressed in the opinion that it was futile and inhumane to adopt the attitude of punitive zealots in approaching the problem of the habitual smoker. What he hoped the Institute researchers would discover would be a cigaret within "the tolerable range of risk." There were, he noted, several low-tar, low-nicotine cigarets already

available. If all smokers would adopt such brands, "we'd be in good shape; we'd have no problem."

Despite the availability mentioned and the sudden abundance of domestic brands with heavily reduced nicotine- tar, the results of the Institute's research had, as reported before, been transferred to the Arthur D. Little Corporation. What was wanted was the production of a flavorful cigaret which would notably expand the 15 percent of the market which low-tar brands then held. If the research proved fruitful, the results would be passed over to cigaret manufactures to insure a "reasonable safety" for smokers. The ongoing research held no interest for the increasing body of Merit consumers. They had at last found the cigaret that satisfies.

The burning matter of synthetics

Had it not been for the strength and persistence of the anti-cigaret movement, the heavy investments made in the production of ersatz cigarets would not have occurred. Time was when youngsters puffed on home-made types, usually composed of dried cornsilk. Other products of the fields served as well. One or two experiments with such desiccative substances usually served to prove that tobacco cigarets had a subtle flavor no other "weed" could offer.

Directly after one of the intermittent "health issue fusses" in England, British manufacturers went rather heavily into the production of ersatz, cigarets. There were eleven brands (all launched on July 1 by industry agreement), composed largely of tobacco substitutes. These "new-fangled fags," with 25 to 40 percent of wood pulp cellulose ingredients mixed with honest tobacco,stirred up another anti-cigaret fuss. That seems to have been a reaction to the large-scale advertising campaigns for these hybrid cigarets, during July 1977, by such major firms as Rothmans, Imperial Tobacco and Gallaher, the last an American Brands' subsidiary.

The composition of these brands was concealed through use of the term, "New Smoking Material" ("N.S.M."). The chief producers were an Imperial Tobacco subsidiary and American Celanese which supplied Rothmans, Wills and Gallahers with Cytrel. A Rothmans' trial ersatz cigaret was offered in the United Kingdom, early in July, **although the brand, labeled** Peer Special, then held less than one percent of the Swiss market where it had originally been introduced a few years earlier.

Three months after the Great Ersatz campaign had been launched in Britain's cigaret market ($5.4 billion in its American equivalent in sales) to an estimated 22 million consumers, most of the

country's chief manufacturers collectively admitted to failure. More than $100 million had gone into development and promotion. Yet the synthetic product (as high-priced as all-tobacco cigarets) had gained around only two percent of the domestic market. There were a few stubborn optimists among the producers. After all, they pointed out, it took eight years for filters to win three percent of consumer acceptance. The big firm of Wills was not among this minority. Early in October it announced that it had become essential to clear its warehouse shelves in three large cities for stocks which dependably moved. There was to be a large bonfire of 100 million N.S.M. cigarets. The total cost of materials and manufacture of these abandoned products was stated to be around $787,000 with a retail value of almost $5 million.

Despite the government's vigorous campaign against the use of genuine cigarets, it did nothing to encourage consumer interest in the ersatz varieties. Tobacconists complained about official lack of sincerity, represented by failure to reduce the cigaret excise for the new synthetic brands. As part of its counter-attack directed at smoking in general, the administration's Health Education Council advertised, using cartoons, with such headings as "Switching to a cigarette with tobacco substitute is like jumping from the 36th floor instead of the 39th."

Health theme variations

Ill-informed, apprehensive persons or those readily influenced by statistical evidence, who read (or hear) anti-cigaret propaganda, are more likely than not to become misinformed. They are too frequently left with the impression that all deaths from heart failure or from lung cancer are directly traceable to cigaret smoking. This presumption is generally supported by the frequent use of inaccurate fatality figures that run into hundreds of thousands in the United States alone, supplied by health agencies, heads of official departments or biased writers.

Reasonable observers are in agreement that lethal diseases do occur when smokers make excessive use of cigarets. The stress word is "excessive." The fear campaigns of medical organizations appear not to have influenced the actuaries of insurance companies. There simply are too many "old-timers" among men and women who have made moderate use of cigarets for most of their adult life.

The belief that the current opposition to cigaret smoking was inspired by the 1964 report of the Surgeon General's Advisory Committee is mere assumption. The social uses of tobacco were bitterly (sometimes violently) opposed in Europe and parts of Asia since the last quarter of the 16th century. The

campaigns rose, quieted down, rose again throughout the centuries.

When sales of cigarets in the United States could be measured in but a few billion, for instance, The New York Times (January 29, 1884) editorialized that cigaret smoking was a vice of bad boys. "A grown man has no possible excuse for thus imitating the small boy... The decadence of Spain began when the Spaniards adopted cigarettes and if this pernicious practice obtains among adult Americans the ruin of the Republic is close at hand . . ."

The cigaret had been legally banned in 12 states between 1895 and 1909. With the end of World War I, hundreds of thousands of young men who, as soldiers in Europe, had been generously supplied with cigarets by the Y.M.C.A. and the Red Cross, returned home. Their new habit enormously broadened the domestic cigaret market. Official bans were quickly revoked. But an ardent prohibitionist, Lucy Page Gaston, had founded the Anti-Cigarette League in Chicago. In 1920 she announced her candidacy for the presidency on an anti tobacco platform, having so far converted a group of wealthy business men that they willingly supplied the funds for her incipient campaign. Four years later she died of cancer of the throat.

The controversy over whether or not cigaret smoking is responsible for various fatal diseases, malformed babies, etc., etc. has created an overwhelming number of books, magazine and newspaper articles and eleborate scientific and medical papers.

Natural History (April 1977 issue) has a lengthy piece, "The Unnatural History of Tobacco" by Erik Eckholm. It is well-written but holds no novelty in its account of the opposition to smoking and the author's agreement that cigarets are destructive to human health.

Eckholm's own opinions are disputed through a lengthy letter by Horace B. Kornegay, published in the June-July 1977 issue of the magazine. The Tobacco Institute president's rebuttal presents some telling points. One, particularly, which should be better known, is a statement by the late Sir Ronald Fisher, the reputed founder of modern epidemiology. He expressed the belief "that the hypothesis concerning smoking and lung cancer may well prove to be 'a catastrophic and conspicuous howler.'"

Associated with the perennial health issue on the anti-cigaret theme were a number of incidents or published commentaries in 1977. Among these the mention of but a few will serve. The Edinbugh State College issued a study which, considering the

many earlier research reports that presented the same opinion, made it superfluous as well as belated. Its premise was that smokers of filtered cigarets risked dying two to four years earlier than consumers of the non-filter brands. Filters collected more carbon monoxide than plain cigarets and therefore affected the smokers' blood.

Then, to demonstrate the capacity of genius to produce novel ideas, this one was offered by Samuel H. Day, Jr., published in The Bulletin of the Atomic Scientists, May 1977: "Don't try to ban the smoker or his cigarette. Instead, ban the thing which is both the facilitator of his habit and the symbol of society's acceptance of it. Just remove the ashtray . . . Any serious smoker can tell you about the chilling effect of life in a world without ashtrays."

The reader's first impression of this short article, titled "Toward a more fragrant world" is that the author was largely confined indoors. And if so, hadn't he ever seen smokers use floors as ashtrays? Hadn't he ever been in the great outdoors, say the sidewalks of New York City, and seen cigaret butts in large numbers added to the street litter?

But then the thought arose that perhaps this scientist had been teasing when he offered his novel proposal. A footnote is inconspicuously tucked at the article's conclusion. It reads:

"The preparation of this public service message required approximately 17 cigarettes."

For the more fervent of the anti-tobacco missionaries, a year without an article or two designed to terrify readers would have been a year lost. Good Housekeeping, in its February 1977 issue, had one entitled "The Deadly New Facts About Women and Smoking." Its theme revolved around the repeated statement that in the preceding ten years the death rate among women from lung cancer had doubled.

The cigaret industry had so few friends--only 55 to 60 million in the United States alone--that any kind word spoken or written in its defense, particularly by high-ranking medical scientists had a tonic effect on its members. When a specific brand was the subject of praise it served to glorify its manufactures who may, thereafter, have had to restrain the firm's public relations staff from glorifying the approving scientist.

Contrary voices

Such an incident occurred when Dr. Irwin D. J. Ross, Director of Biostatics at the famed Roswell Park Memorial Institute, was testifying before a House Human Resources committee examining cancer-research programs. He provided a shock to some congressman by his sharp comments.

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"The National Cancer Institute's program on cigaret health hazards," he said, (is) "a farce. It consists of noisy scare campaigns which are counterproductive--like most of cancer education." He waited a moment for that to have an effect; then continued, "The sad truth is that the chemist who developed the taste process for Merit cigarets had done more for public health in the past year than the N.C.I. and the American Cancer Society have done in the past ten years . . ."

On the whole 1977, was a year in which the cigaret-opposition groups had pretty much quieted down. The introduction of numerous brands in which the tar-nicotine contents had been significantly reduced had impressed quite a few of the chief men among medical scientists. That may have depressed the community afflicted by tobaccophobia.

There was one lengthy article which attracted a fair share of attention. It was "Making the Great Leap to Being a Nonsmoker," by Jane E. Brody, in the Times, February 23, 1977. She advised readers to obtain from Dr. Daniel Horn, Director of the National Clearing House for Smoking and Health, a self test for those who wished to quit. As writing letters is becoming a lost art in the States, Ms. Brody, provided a routine for those who wished to make the Great Leap Forward.

Under ten headings and details of a four-week program, she

presented the "basic ingredients for successful quitting." If conscientiously followed it would have put a heavy physical and mental strain on submissive persons impressed by the printed word. Ms.Brody apparently was unfamiliar with the system established at the Max Planck Institute, as described in chapter 1 of this "Continuation." The basic ingredient on which the clinic faculty put most emphasis for those who wished to stop smoking was will power. Experience has shown that persons endowed with this rare attribute just quit, usually without outside advice or therapy. But, throughout the world, quitters are heavily outnumbered by devotees of cigarets.

A great deal has been written, some of it elaborate nonsense, about the reasons why people smoke tobacco. Little if anything has been published about the earnest, frequently hysterical, missionaries who oppose the use of cigarets.

A surface observation would give the impression that among these opponents of smoking are many well-intentioned, socially conscious members of society who are genuinely concerned about the health of their fellow-beings. Impressed by their own earnestness, they seem to be without a critical faculty. They unhesitatingly accept the worst that is reported. If, for instance, the HEW gives an estimate of 65,000 cancer deaths attributed to cigaret use and a former or current Surgeon General

places the estimate at 300,000, the latter figure is given preference.

Furthermore, it is much easier, more popular, more salutary to attack cigarets than, say, the automotive, distilled liquor or food industries for the fatalities or injuries resulting from the excessive use of their products. The charge of hypocrisy has occasionally been leveled against the leadership of the anti-cigaret movement. During the inexcusable, brutal war, when American forces were killing thousands of non-combatants in Indo-China daily, not one of the chief figures among the anti-smoking campaigns was identified with Americans who opposed the war. So much for their interest in saving lives!

<u>The tax penalty</u>

Together with the managements of the chief American corporations, Philip Morris executives frequently have cause for complaints over actual or attempted hindrances with various of its operations. These stem mainly from the heavy opposition to the company's most valued product by anti-cigaret organizations or individuals and bureaucratic harassment. These are too well known to require additional comment here. Apart from the health issue, not all officials find these intrusions intolerable. A number of opponents' activities represent elements of drama, of excitement--and offer challenges--upsetting the tedium of daily routines.

One grievance, however, should be excluded from the catalog of such complaints. That relates to the taxation of cigarets. References to or comments about it have become fairly standard in the Philip Morris "Annual Reports." The management has a fondness for the term "regressive" for the excise on cigarets--though the word seems meaningless except for those familiar with economics.

Quite apart from the futility of protesting this inland tax--cigarets were first classified for revenue in 1864--is the ambivalence that follows the objection, which gives a suggestion of insincerity. For, despite the criticism expressed, the fiscal importance of the cigaret levies to federal, state and local treasuries is regularly indicated in manufacturers' annual reports.

Tobacco items, especially cigarets, have constantly been regarded by excise authorities as particularly suitable for taxation, being private luxuries not necessary for human sustenance. Also, since 1964, despite the implicit hypocrisy in such a revenue policy it has been regarded by legislators as especially fitting that an article said to be dangerous to health should be burdened by taxes as heavy as the traffic could bear. The toll exacted from cigaret smokers must simply be accepted as a durable element of the national economy. (The occasional, token reductions made in a number of states or municipalities have little effect on the general tax burden).

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As of July 1, 1977 there were increases in cigaret taxes during the fiscal year in 4 states. Some of the rate changes were rather high. Colorado, for instance, went to 15 cents from 10 cents; Indiana to 10.5 cents from 6 cents and Florida had a 4 cents increase to 21 cents, equaling the state tax in Connecticut and Massachusetts.

In its 1977 report, The Tobacco Tax Council stated that " . . . Without any taxes, cigarets would retail for 24 cents a pack." It was a moment of fantasy.

As reported in the Council's The Tax Burden on Tobacco, 1977, for the fiscal year ending June 30, 1977 the states' gross cigaret tax yield was close to $3.6 billion. The federal excise came to almost $2,280,000,000. There were 364 cities, towns and counties which took in a total of $124.3 million from cigaret taxes. On a national basis, therefore, the excise total " accounted for 37 percent of the average retail price of a pack of cigarettes," as mentioned in the Philip Morris "Annual Report," 1977.

Alabama still holds the record for extensive cigaret taxation. Currently, in that state are 223 cities and 12 counties that apply the tax. The income to cities is about $4.5 million; to counties nearly $5.6 million. But Missouri, with only 100 taxing cities, in fiscal 1977 collected close to $11.2 million from cigaret smokers, while 2 counties gained over $8.8 million from

the same source, In the state of New York only its namesake city taxed cigarets, Its income from that source in fiscal 1977 was $61,271,001, (The tar/nicotine penalty tax had become a nuisance and had been canceled,) The retail price of a 20-cigarets package including federal and state excises but not municipal taxes was as low as 41,4 cents in Kentucky to the highest in the States: Florida's 66,3 cents, (That was in November 1, 1977, Prices have generally risen throughout the States).

Consumer expenditures for cigarets in the United States in 1977 rose to $15,8 billion, That was 1,21 percent of disposable peronal income according to the Department of Agriculture, Per capita consumption, according to the same authority showed a small decline: 4,064 in 1977 against 4,092 in 1976, The former figure is "subject to revision,"

It is stated in the company's "Annual Report" for 1977 that there was an industry sales increase of 0,8 percent in 1977 to about 611 billion units, The March 1978 "Tobacco Situation" issued by the U,S, Department of Agriculture puts the figure of total U,S, consumption at 620 billion which includes 10,2 billion shipped to overseas forces, (This official count is listed as "subject to revision"), The factories' output of

cigarets came to 665.9 billion units. Close to 67 billion* were exported. The share of Philip Morris International in cigaret shipments abroad was about 40 percent. Also in 1977, the company sent close to 89 million pounds of leaf to foreign customers.

The robbing "hoods"

What continues to give realistic evidence that it is an unbeatable system is the organized business of cigaret smuggling. Its beneficiaries are the smokers who buy a variety of brands at prices lower than those charged in most retail shops. Thus they feel a friendly regard for suppliers who have the status of modern Robin Hoods, engaged in a free enterprise operation which has been called "a victimless crime."

That term is , however, no longer applicable. During hearings conducted by Senator Edward Kennedy in October, he reported that the infiltration by "the mob has led to increasing violent crime: extortion and bribery, truck highjackings, armed robberies, serious assaults and even murder . . . " of smugglers.

"Buttlegging"--a misnomer, for no one smuggles butts!--has shown such growth as an interstate traffic that knowledgeable officials

* Department of Agriculture preliminary report

are rating it as second to narcotics as a profitable enterprise for organized crime.

In a report by the Advisory Commission on Inter-Governmental Relations, "four New York crime families, employing more than 500 enforcers, peddlers and distributors, smuggle an estimated 480 million packs into the state each year." There are nine identifiable local mobs whose operations in the illicit traffic represent an estimated annual tax loss of over $62 million. Others put the loss at $100 or more each year.

Morris Weintraub, director of the Council Against Cigarette Bootlegging, has stated that the $600 million in tax revenue lost to New York State and City over the past decade is but part of the disturbing situation. He places the loss to the cigaret industry at $2.5 billion during those ten years. His study shows that half of wholesalers' and vendors' employees have lost their jobs, cigaret wholesalers by a third have closed shop and insurance costs, because of hijacking, have been heavily increased.

Bootleggers, he went on, "have created a distribution system that covers every apartment house, every industrial plant, every office building and are now even making deliveries to homes." "Every" seems an emotional exaggeration but it is only

reasonable to agree that the mobs have well-established means of distribution.

The above-named Advisory Commission could offer no solution to the problem. It made the obvious comment that bootlegging would intensify if State cigaret taxes increased. Its members noted that a number of tax and law enforcement officials, particularly those in New York State, had fallen under suspicion of accepting bribes from smuggling groups. They conceded that it would be fiscally impossible for the New York City cigaret tax to be reduced. With this last opinion Alfred Donati Jr., Director of the N.Y. State Department of Taxation and Finances' Special Investigation Bureau, did not agree. He suggested that, in 1978, the state legislature reduce the New York tax by 9 cents per package. The idea was enthusiastically accepted, too enthusiastically, by a number of politicians who made a premature introduction of the proposal in May 1977. Director Donati was forced into the uncomfortable position of testifying against his own suggestion. He particularly objected to an amendment which would have required the State treasury to reimburse New York City's exchequer for any cigaret tax shortfalls.

A renewal of the legislative attempt was planned for 1978. Director Donati expressed the opinion that, together with tougher enforcement, bootlegging would be severely reduced by the proposed

tax reduction. There was then a possibility that the state's revenue from the cigaret tax would be increased by more than $7 million annually.

In November a new Ohio law classified the smuggling of as little as $60 worth of cigarets a felony subject to a minimum six months' imprisonment for a first offense. Eight other states had severe laws on their books for illicit traffic in cigarets.

None of these laws have been effective. In consequence, Interstate 95 (better known as "Tobacco Road") has a flow of cigaret-loaded trucks whose drivers use devious routes as they near New York City or states with high cigaret taxes. Efficient operators who take the risk of transporting cigarets to be bootlegged are said to net $24,000 by making only two round trips a month.

Even in states where cigaret smuggling is on the books as a felony, prosecutors usually accept a plea of misdemeanor. Neither the prosecuting attorney nor the judge seem impressed with the charge that cigaret bootlegging is a serious crime. It is rare for violators to be jailed and the highest fine imposed on a defendant in New York State has been $400.

Members of the industry who are most hurt by the widespread illicit

traffic and enforcement officers who cannot cross state lines have been urging congressional action. A bill had been introduced in the Senate in 1977 which would have made cigaret smuggling a federal crime subject to a fine of $10,000 and a jail term of two-years. In the House a November bill proposed a uniform federal tax of 31 cents per package. There would have been rebate to states under certain circumstances. The passage of this measure is very improbable.

The matter of states' rights seems an insuperable barrier to effective control legislation by Congress. Two official opinions bear clearly on this issue. The agency which would have responsibility for enforcement of a federal law against cigaret smuggling is the U.S. Treasury Department. Its responsible spokesman has stated that "We have serious reservations about supporting legislation which would be aimed at rectifying a regional problem. It is our belief that federal intrusion into traditional state areas of responsibility can only be justified if the problem is national in scope."

The Attorney General of North Carolina, Rufus L. Edmisten, spoke for all states with a low cigaret tax when he wrote to the Advisory Commission on Inter-Governmental Relations that "It is my firm belief that the majority of the citizens of this state, myself included, feel that the high-tax states have brought this

problem upon themselves, They should not expect North Carolinians to suffer financially so that they may continue to impose exorbitant taxes, Our state does not impose any unusual restrictive taxes on the products of any of the other states, thus creating a bootlegging or smuggling problem for North Carolina. We only ask that the other states treat us as well." Further, he explained, "I cannot justify spending countless hours looking for cigarette bootleggers who are not in violation of any of North Carolina's statutes,"

Although it lies outside of the terminal period of this "Fourth Continuation," note must be taken of a pertinent Act, signed into law by President Carter late in 1978. The measure had been introduced by one of the exceptional women members of Congress, Elizabeth Holtzman (D. Brooklyn,N.Y.), very highly rated by liberal-progressive political organizations. The content of her bill was unusual; its passage unexpected because of the powerful opposition of the tobacco growers' lobby. Strongly supporting the bill was N.Y. State Tax Commissioner James H. Tully, Jr. When testifying before a congressional committee he stated that New York's revenue losses, due to the illegal traffic in cigarets ranked fourth after Connecticut, Washington state and Florida.

The new law imposes fines as high as $100,000, five years in prison, or both for those convicted. It was greeted with